

TWIN CEDARS COMMUNITY SCHOOL DISTRICT
BUSSEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

Year Ended June 30, 2020

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Twin Cedars Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education		
Kelly Carlson	President	2023
Heather Dunkin	Vice-President	2021
Stephanie Sterner	Board Member	2021
Mike Weldon	Board Member	2023
Jolinda Fairchild	Board Member	2023
School Officials		
Brian Vandersluis	Superintendent	Indefinite
Deb Haselhuhn	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers Law Firm	Attorney	Indefinite

Twin Cedars Community School District



FALLER, KINCHELOE & Co, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Twin Cedars Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District (District), Bussey, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 13 and 40 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2021 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC

February 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Cedars Community School District (District) provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,426,042 in fiscal year 2019 to \$4,457,194 in fiscal year 2020, while General Fund expenditures increased from \$4,772,795 in fiscal year 2019 to \$4,797,713 in fiscal year 2020. The District's General Fund balance decreased from \$858,301 at the end of fiscal year 2019 to \$517,782 at the end of fiscal year 2020, a 39.7% decrease.
- The fiscal year 2020 General Fund revenue increase was attributable to an increase in the Instructional Support Levy and Cash Reserve Levy. The increase in expenditures was due primarily to increased wage and employee benefit amounts.
- The District continues to make significant improvements to its facilities and equipment, including technology, from the use of Physical Plant and Equipment Levy funds and the Statewide Sales, Services and Use Tax funds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the capital projects fund accounts.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Current and other assets	\$ 4,101	3,971	33	63	4,134	4,034	2.5%
Capital assets	2,563	2,605	40	40	2,603	2,645	-1.6%
Total assets	6,664	6,576	73	103	6,737	6,679	0.9%
Deferred outflows of resources	526	656	13	17	539	673	-19.9%
Long-term liabilities	2,494	2,807	50	57	2,544	2,864	-11.2%
Other liabilities	563	503	4	4	567	507	11.8%
Total liabilities	3,057	3,310	54	61	3,111	3,371	-7.7%
Deferred inflows of resources	2,104	1,860	9	6	2,113	1,866	13.2%
Net position:							
Net investment in capital assets	2,563	2,605	40	40	2,603	2,645	-1.6%
Restricted	1,234	945	-	-	1,234	945	30.6%
Unrestricted	(1,768)	(1,488)	(17)	13	(1,785)	(1,475)	-21.0%
Total net position	\$ 2,029	2,062	23	53	2,052	2,115	-3.0%

The District's total net position decreased by 3.0%, or approximately \$63,000, from the prior year.

A large portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$289,000, or 30.6% from the prior year. The increase was mainly due to an increased balance in the Special Revenue, Management Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$310,000 or 21.0%. The negative balance in unrestricted net position was primarily a result of the District's net pension liability and other post-employment benefits liability balance at June 30, 2020.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-2
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Program revenues:							
Charges for service	\$ 531	606	55	81	586	687	-14.7%
Operating grants, contributions and restricted interest	866	764	92	116	958	880	8.9%
General revenues:							
Property tax	1,626	1,591	-	-	1,626	1,591	2.2%
Income surtax	43	71	-	-	43	71	-39.4%
Statewide sales, services and use tax	345	349	-	-	345	349	-1.1%
Unrestricted state grants	1,749	1,766	-	-	1,749	1,766	-1.0%
Unrestricted investment earnings	9	6	-	-	9	6	50.0%
Gain from disposition of capital assets	-	3	-	19	-	22	-100.0%
Other	52	40	-	-	52	40	30.0%
Total revenues	5,221	5,196	147	216	5,368	5,412	-0.8%
Program expenses:							
Governmental activities:							
Instruction	3,382	3,468	-	-	3,382	3,468	-2.5%
Support services	1,634	1,616	-	-	1,634	1,616	1.1%
Non-instructional programs	-	-	177	210	177	210	-15.7%
Other expenses	238	354	-	-	238	354	-32.8%
Total expenses	5,254	5,438	177	210	5,431	5,648	-3.8%
Change in net position	(33)	(242)	(30)	6	(63)	(236)	73.3%
Net position beginning of year	2,062	2,304	53	47	2,115	2,351	-10.0%
Net position end of year	\$ 2,029	2,062	23	53	2,052	2,115	-3.0%

In fiscal year 2020, property tax and unrestricted state grants accounted for 64.6% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100.0% of the revenue from the business type activities.

The District's total revenues were approximately \$5.368 million of which approximately \$5.221 million was for governmental activities and approximately \$147,000 was for business type activities.

As shown in figure A-2, the District as a whole experienced a 0.8% decrease in revenues and a 3.8% decrease in expenses. The decrease in expenses was primarily due to a decrease in facilities acquisition costs. The minimal decrease in revenue was due to less state aid as a result of a declining enrollment base.

Governmental Activities

Revenues for governmental activities were \$5,220,694 and expenses were \$5,253,835 for the year ended June 30, 2020.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$ 3,382	3,468	-2.5%	2,256	2,323	-2.9%
Support services	1,634	1,616	1.1%	1,511	1,539	-1.8%
Other expenses	238	354	-32.8%	90	206	-56.3%
Totals	\$ 5,254	5,438	-3.4%	3,857	4,068	-5.2%

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$531,135. This is mainly open enrollment revenue.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$865,600.
- The net cost of governmental activities was financed with \$2,013,614 in property and other taxes and \$1,478,496 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$147,262 representing a 31.9% decrease under the prior year while expenses totaled \$177,455, a 15.6% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,765,842 well below last year's ending fund balances of \$1,713,941.

The fund balance decrease is primarily due to the District spending more money than it receives.

Governmental Fund Highlights

- The District's General Fund financial position declined in fiscal year 2020. We have attempted to match revenues with expenditures in order to avoid deficit spending. A decrease in state aid contributed to this decline. The staff and administration have worked hard to keep costs to a minimum while still offering our students the best education possible.
- The General Fund balance decreased from \$858,301 to \$517,782 a 39.7% decrease. This decrease was due to increasing wage and benefit costs.

- The Special Revenue, Management Levy Fund balance increased from \$457,974 at the end of fiscal year 2019 to \$663,388 at the end of fiscal year 2020. The increase can be attributed to levying more property tax for this fund than the related expenditures from this fund.
- The Capital Projects Fund balance increased from \$384,201 at the end of fiscal year 2019 to \$462,317 at the end of fiscal year 2020. This increase can be attributed to costs incurred which were less than the related revenue received into this fund in fiscal year 2020.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District did not amend its budget.

The District's revenues were \$118,832 less than budgeted revenues, a variance of 2.2%. The most significant variance resulted from the District receiving less money from state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested approximately \$2.603 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 1.6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$233,388 for both governmental and business type activities.

The original cost of the District's capital assets was approximately \$7.18 million. Governmental funds account for approximately \$7.03 million, with the remainder of approximately \$160,000 accounted for in the Proprietary, School Nutrition Fund.

During the year, the increases in assets were for costs incurred for new equipment and for infrastructure improvements such as new sidewalks and geothermal improvements. The decrease in net assets during the year was due to depreciation expense.

Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 22	22	-	-	22	22	0.0%
Buildings	946	1,000	-	-	946	1,000	-5.4%
Improvements other than buildings	1,226	1,240	-	-	1,226	1,240	-1.1%
Furniture and equipment	369	343	40	40	409	383	6.8%
Totals	\$ 2,563	2,605	40	40	2,603	2,645	-1.6%

Long-Term Debt

At June 30, 2020, the District had \$0 in long-term debt outstanding.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced a decrease in students served by 5 students in the fall of 2020. However, over the long term, the District has gone from serving 520 students in 2000 to 304 in 2020, a decrease of 216 students. This will negatively affect our General Fund balances in the future.
- The District has taken measures to maintain the current facilities. The District is currently free from any debt obligations.
- Local option sales and services tax revenues have a significant impact on building improvements.
- Grants are sought to help with educational improvements in the District.
- Several building and grounds improvements are being done to keep facilities in good condition.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa, 50044.

Basic Financial Statements

Statement of Net Position

June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,214,977	23,516	2,238,493
Receivables:			
Property tax:			
Delinquent	24,715	-	24,715
Succeeding year	1,743,342	-	1,743,342
Accounts	436	-	436
Due from other funds	895	-	895
Due from other governments	116,555	-	116,555
Inventories	-	9,672	9,672
Capital assets, net of accumulated depreciation	2,563,304	40,125	2,603,429
Total assets	6,664,224	73,313	6,737,537
Deferred Outflows of Resources			
Pension related deferred outflows	525,608	13,063	538,671
Liabilities			
Accounts payable	6,014	-	6,014
Salaries and benefits payable	400,795	1,834	402,629
Due to other funds	-	895	895
Due to other governments	156,502	-	156,502
Unearned revenue	-	1,233	1,233
Long-term liabilities:			
Portion due within one year:			
Early retirement	2,185	-	2,185
Portion due after one year:			
Net pension liability	2,041,130	50,727	2,091,857
Total OPEB Liability	450,303	-	450,303
Total liabilities	3,056,929	54,689	3,111,618
Deferred Inflows of Resources			
Unavailable property tax revenue	1,743,342	-	1,743,342
Pension related deferred inflows	360,574	8,961	369,535
Total deferred inflows of resources	2,103,916	8,961	2,112,877
Net position			
Net investment in capital assets	2,563,304	40,125	2,603,429
Restricted for:			
Categorical funding	37,780	-	37,780
Management levy purposes	663,388	-	663,388
Student activities	70,454	-	70,454
School infrastructure	461,658	-	461,658
Physical plant and equipment	659	-	659
Unrestricted	(1,768,256)	(17,399)	(1,785,655)
Total net position	\$ 2,028,987	22,726	2,051,713

See notes to financial statements.

Twin Cedars Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,968,531	284,916	515,766	-	(1,167,849)	-	(1,167,849)
Special instruction	665,623	75,317	154,478	-	(435,828)	-	(435,828)
Other instruction	747,555	87,751	7,819	-	(651,985)	-	(651,985)
	<u>3,381,709</u>	<u>447,984</u>	<u>678,063</u>	<u>-</u>	<u>(2,255,662)</u>	<u>-</u>	<u>(2,255,662)</u>
Support services:							
Student	90,974	-	-	-	(90,974)	-	(90,974)
Instructional staff	196,650	-	-	-	(196,650)	-	(196,650)
Administration	503,390	83,151	-	-	(420,239)	-	(420,239)
Operation and maintenance of plant	513,142	-	-	-	(513,142)	-	(513,142)
Transportation	329,234	-	39,425	-	(289,809)	-	(289,809)
	<u>1,633,390</u>	<u>83,151</u>	<u>39,425</u>	<u>-</u>	<u>(1,510,814)</u>	<u>-</u>	<u>(1,510,814)</u>
Non-instructional programs	471	-	-	-	(471)	-	(471)
Other expenditures:							
Facilities acquisition	36,339	-	-	-	(36,339)	-	(36,339)
AEA flowthrough	148,112	-	148,112	-	-	-	-
Depreciation (unallocated)*	53,814	-	-	-	(53,814)	-	(53,814)
	<u>238,265</u>	<u>-</u>	<u>148,112</u>	<u>-</u>	<u>(90,153)</u>	<u>-</u>	<u>(90,153)</u>
Total governmental activities	5,253,835	531,135	865,600	-	(3,857,100)	-	(3,857,100)
Business type activities:							
Non-instructional programs:							
Food service operations	177,455	55,096	92,099	-	-	(30,260)	(30,260)
Total	<u>\$ 5,431,290</u>	<u>586,231</u>	<u>957,699</u>	<u>-</u>	<u>(3,857,100)</u>	<u>(30,260)</u>	<u>(3,887,360)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,584,753	-	1,584,753
Capital outlay					40,896	-	40,896
Statewide sales, services and use tax					344,709	-	344,709
Income surtax					43,256	-	43,256
Unrestricted state grants					1,748,496	-	1,748,496
Unrestricted investment earnings					9,305	67	9,372
Other					52,544	-	52,544
Total general revenues					<u>3,823,959</u>	<u>67</u>	<u>3,824,026</u>
Change in net position					(33,141)	(30,193)	(63,334)
Net position beginning of year					<u>2,062,128</u>	<u>52,919</u>	<u>2,115,047</u>
Net position end of year					<u>\$ 2,028,987</u>	<u>22,726</u>	<u>2,051,713</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Balance Sheet
Governmental Funds

June 30, 2020

	General	Special Revenue Management Levy	Capital Projects	Special Revenue Nonmajor - Student Activity	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 1,029,083	659,083	456,357	70,454	2,214,977
Receivables:					
Property tax:					
Delinquent	19,788	4,305	622	-	24,715
Succeeding year	1,504,366	194,953	44,023	-	1,743,342
Accounts	436	-	-	-	436
Due from other funds	24,575	-	-	-	24,575
Due from other governments	87,537	-	29,018	-	116,555
Total assets	\$ 2,665,785	858,341	530,020	70,454	4,124,600
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 6,014	-	-	-	6,014
Salaries and benefits payable	400,795	-	-	-	400,795
Due to other governments	156,502	-	-	-	156,502
Due to other funds	-	-	23,680	-	23,680
Total liabilities	563,311	-	23,680	-	586,991
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,504,366	194,953	44,023	-	1,743,342
Other	80,326	-	-	-	80,326
Total deferred inflows of resources	1,584,692	194,953	44,023	-	1,823,668
Fund balances:					
Restricted for:					
Categorical funding	37,780	-	-	-	37,780
Management levy purposes	-	663,388	-	-	663,388
Student activities	-	-	-	70,454	70,454
School infrastructure	-	-	461,658	-	461,658
Physical plant and equipment	-	-	659	-	659
Unassigned	480,002	-	-	-	480,002
Total fund balances	517,782	663,388	462,317	70,454	1,713,941
Total liabilities, deferred inflows of resources and fund balances	\$ 2,665,785	858,341	530,020	70,454	4,124,600

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2020

Total fund balances of governmental funds (page 17) **\$ 1,713,941**

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,563,304

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 80,326

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 525,608	
Deferred inflows of resources	<u>(360,574)</u>	165,034

Long-term liabilities, including early retirement, total OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,493,618)

Net position of governmental activities (page 15) **\$ 2,028,987**

See notes to financial statements.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2020

	General	Special Revenue Management Levy	Capital Projects	Special Revenue Nonmajor - Student Activity	Total
Revenues:					
Local sources:					
Local tax	\$ 1,370,123	281,759	40,697	-	1,692,579
Tuition	423,627	-	-	-	423,627
Other	66,991	-	514	87,862	155,367
State sources	2,400,388	1,376	344,908	-	2,746,672
Federal sources	188,615	-	-	-	188,615
Total revenues	4,449,744	283,135	386,119	87,862	5,206,860
Expenditures:					
Current:					
Instruction:					
Regular	1,952,279	12,511	55,116	-	2,019,906
Special	668,982	2,100	-	-	671,082
Other	657,440	3,458	-	82,774	743,672
	3,278,701	18,069	55,116	82,774	3,434,660
Support services:					
Student	91,131	487	-	-	91,618
Instructional staff	189,778	1,101	-	-	190,879
Administration	493,998	2,133	-	-	496,131
Operation and maintenance of plant	350,066	25,093	23,680	-	398,839
Transportation	245,927	30,367	82,147	-	358,441
	1,370,900	59,181	105,827	-	1,535,908
Non-instructional programs	-	471	-	-	471
Other expenditures:					
Facilities acquisition	-	-	147,060	-	147,060
AEA flowthrough	148,112	-	-	-	148,112
	148,112	-	147,060	-	295,172
Total expenditures	4,797,713	77,721	308,003	82,774	5,266,211
Excess (deficiency) of revenues over (under) expenditures	(347,969)	205,414	78,116	5,088	(59,351)
Other financing sources (uses):					
Sale of capital assets	7,450	-	-	-	7,450
Total other financing sources (uses)	7,450	-	-	-	7,450
Change in fund balances	(340,519)	205,414	78,116	5,088	(51,901)
Fund balances beginning of year	858,301	457,974	384,201	65,366	1,765,842
Fund balances end of year	\$ 517,782	663,388	462,317	70,454	1,713,941

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2020

Net change in fund balances - total governmental funds (page 19) **\$ (51,901)**

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 194,069	
Depreciation expense	<u>(227,240)</u>	(33,171)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.	(8,888)
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Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds.	13,833
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The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.	251,760
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	6,292	
Pension expense	(326,830)	
OPEB expense	<u>115,764</u>	<u>(204,774)</u>

Change in net position of governmental activities (page 16)	<u>\$ (33,141)</u>
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See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2020

	<u>Nonmajor Enterprise, School Nutrition</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 23,516
Inventories	9,672
Total current assets	<u>33,188</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	40,125
Total noncurrent assets	<u>40,125</u>
Total assets	<u>73,313</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>13,063</u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	1,834
Due to other funds	895
Unearned revenue	1,233
Total current liabilities	<u>3,962</u>
Noncurrent liabilities:	
Net pension liability	50,727
Total noncurrent liabilities	<u>50,727</u>
Total liabilities	<u>54,689</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>8,961</u>
Net Position	
Net investment in capital assets	40,125
Unrestricted	<u>(17,399)</u>
Total net position	<u>\$ 22,726</u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2020

	Nonmajor Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 54,473
Miscellaneous	623
Total operating revenue	<u>55,096</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	67,085
Benefits	12,356
Purchased services	312
Supplies	91,554
Depreciation	6,148
Total operating expenses	<u>177,455</u>
Operating loss	<u>(122,359)</u>
Non-operating revenues:	
State sources	1,842
Federal sources	90,257
Interest income	67
Total non-operating revenues	<u>92,166</u>
Decrease in net position	(30,193)
Net position beginning of year	<u>52,919</u>
Net position end of year	<u>\$ 22,726</u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2020

	<u>Nonmajor Enterprise, School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 54,473
Cash received from miscellaneous operating activities	623
Cash paid to employees for services	(78,662)
Cash paid to suppliers for goods and services	<u>(82,471)</u>
Net cash used by operating activities	<u>(106,037)</u>
Cash flows from non-capital financing activities:	
State grants received	1,842
Federal grants received	<u>78,650</u>
Net cash provided by non-capital financing activities	<u>80,492</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,267)
Interfund loan payable decrease	<u>(411)</u>
Net cash used by capital and related financing activities	<u>(6,678)</u>
Cash flows from investing activities:	
Interest on investments	<u>67</u>
Net decrease in cash and cash equivalents	(32,156)
Cash and cash equivalents beginning of year	<u>55,672</u>
Cash and cash equivalents end of year	<u>\$ 23,516</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (122,359)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	11,607
Depreciation	6,148
Increase in inventories	(2,212)
Decrease in net pension liability	(6,116)
Decrease in deferred outflows of resources	3,627
Increase in deferred inflows of resources	<u>3,268</u>
Net cash used by operating activities	<u>\$ (106,037)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received \$11,607 of federal commodities.

See notes to financial statements.

Twin Cedars Community School District

Notes to Financial Statements

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Cedars Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Bussey, Iowa, and the predominate agricultural territory in Marion and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue, Management Levy Fund is used to account for revenues from property tax and other revenues to be used for the payment of insurance, unemployment and early retiree benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District proprietary fund is the Enterprise, School Nutrition Fund, a non-major fund of the District. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for investments in the Miles Capital Education which is valued at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not

add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20-50
Intangibles	5-10
Furniture and equipment	5-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers and other school personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation time; however, the unused amounts are not paid at termination, death or retirement. Consequently, no accrual is made in the financial statements for compensated absences.

Unearned Revenue – Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of

employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of income surtax, federal grant revenue received in advance, other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet charged to pension expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, for part of the year, it is unclear if the deposits in banks were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$610,966. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

(3) DUE FROM AND DUE TO OTHER FUNDS

The details of interfund receivables and payables at June 30, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 23,680
	Enterprise:	
	School Nutrition	895
	Total	<u>\$ 24,575</u>

The above due from/to amounts represents loans between funds, and to correct improper recording of transactions.

(4) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,375	-	-	22,375
Total capital assets not being depreciated	<u>22,375</u>	<u>-</u>	<u>-</u>	<u>22,375</u>
Capital assets being depreciated:				
Buildings	3,610,402	-	-	3,610,402
Improvements other than buildings	2,054,865	85,840	-	2,140,705
Furniture and equipment	1,214,836	108,229	73,597	1,249,468
Total capital assets being depreciated	<u>6,880,103</u>	<u>194,069</u>	<u>73,597</u>	<u>7,000,575</u>
Less accumulated depreciation for:				
Buildings	2,610,859	53,814	-	2,664,673
Improvements other than buildings	814,456	99,805	-	914,261
Furniture and equipment	871,800	73,621	64,709	880,712
Total accumulated depreciation	<u>4,297,115</u>	<u>227,240</u>	<u>64,709</u>	<u>4,459,646</u>
Total capital assets being depreciated, net	<u>2,582,988</u>	<u>(33,171)</u>	<u>8,888</u>	<u>2,540,929</u>
Governmental activities capital assets, net	<u>\$ 2,605,363</u>	<u>(33,171)</u>	<u>8,888</u>	<u>2,563,304</u>
Business type activities:				
Furniture and equipment	\$ 153,740	6,267		160,007
Less Accumulated depreciation	<u>113,734</u>	<u>6,148</u>		<u>119,882</u>
Business type activities capital assets, net	<u>\$ 40,006</u>	<u>119</u>	<u>-</u>	<u>40,125</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Other	\$ 5,705
Support services:	
Administration	7,666
Operation and maintenance of plant	109,350
Transportation	50,705
	<u>173,426</u>
Unallocated	<u>53,814</u>
Total depreciation expense - governmental activities	<u>\$ 227,240</u>
Business type activities:	
Food service operations	<u>\$ 6,148</u>

(5) LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 8,477	-	6,292	2,185	2,185
Net pension liability	2,232,896	-	191,766	2,041,130	-
Total OPEB liability	<u>566,067</u>	<u>-</u>	<u>115,764</u>	<u>450,303</u>	<u>-</u>
Total	<u>\$2,807,440</u>	<u>-</u>	<u>313,822</u>	<u>2,493,618</u>	<u>2,185</u>
Business type activities:					
Net pension liability	\$ 56,843	-	6,116	50,727	-
Total	<u>\$ 56,843</u>	<u>-</u>	<u>6,116</u>	<u>50,727</u>	<u>-</u>

Early Retirement

In March 2017, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed 12 consecutive years of full-time service to the District or must be at least age 55 on or before June 30 of the year in which the licensed employee wishes to retire and have completed 32 years of full-time service to the District. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense, up to a maximum of \$600 per month for 40 months by meeting the requirements of the insurer.

At June 30, 2020, the District has obligations to one participant with a total liability of \$2,185. Actual early retirement expenditures under this plan for the year ended June 30, 2020 totaled \$6,292. Only employees retiring at the end of the 2017-2018 school year were eligible for this plan.

There were no new participants in the early retirement program in fiscal year 2020. The total liability was adjusted in fiscal year 2020 to account for the change in premiums in the year.

(6) **OPERATING LEASE**

The District entered into a lease in fiscal year 2019 to lease copier equipment. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 16,414
2022	16,414
2023	16,414
2024	<u>4,104</u>
Total	<u>\$ 53,346</u>

During the fiscal year, payments made under these lease agreements were \$16,414.

(7) **PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$258,007.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$2,091,857 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.0361247%, which was a decrease of 0.000058% under its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the District recognized pension expense of \$329,791. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,799	75,212
Changes of assumptions	224,068	-
Net difference between projected and actual earnings on IPERS' investments	-	235,727
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	50,797	58,596
District contributions subsequent to the measurement date	258,007	-
Total	\$ 538,671	369,535

\$258,007 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 21,812
2022	(45,192)
2023	(23,191)
2024	(36,405)
2025	(5,895)
	<u>\$ (88,871)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 3,714,462	2,091,857	730,833

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>33</u>
Total	<u><u>34</u></u>

Total OPEB Liability – The District’s total OPEB liability of \$450,303 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled forward from the June 30, 2019 valuation date to the June 30, 2020 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	2.50% per annum.
Discount rate (effective June 30, 2020)	2.45% per annum.
Healthcare cost trend rate (effective June 30, 2020)	6.40% initial rate decreasing over several decades to an ultimate rate of 4.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2017, and other adjustments. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 566,067</u>
Changes for the year:	
Service cost	25,479
Interest	17,718
Differences between expected and actual experiences	(132,893)
Changes in assumptions	(7,250)
Benefit payments	<u>(18,818)</u>
Net changes	<u>(115,764)</u>
Total OPEB liability end of year	<u><u>\$ 450,303</u></u>

Changes of assumptions reflect a change in the discount rate from 3.51% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 483,963	450,303	418,796

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability	\$ 402,232	450,303	507,353

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of (\$115,764). The District elected to use the Alternative Measurement Method (AMM) as allowed by GASB Statement No. 75 for entities with fewer than 100 active and inactive employees. Certain items such as the differences between expected and actual experience and changes in assumptions and other inputs are recognized in the current year when using the AMM and, therefore, there are no deferred outflows of resources or deferred inflows of resources related to OPEB.

(9) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

A. Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP has 24 members as of July 1, 2018. IPSIP is governed by an eleven-member board of directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in fiscal year 2020. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2020 was \$72,182.

The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Partially Self-funded Health Insurance

The District has a partially self-funded health insurance program. The District funds the difference between the deductible and out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the District, per plan. This difference consists of a maximum District cost of \$4,000 for a single plan and \$8,000 for a family plan. The District incurred \$18,763 in costs related to this program for the year ended June 30, 2020. The District funds these costs from the General Fund as claims are incurred.

(10) AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$148,112 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

(12) CATEGORICAL FUNDING

in accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Professional development supplement	\$ 7,836
Homeschool assistance program	552
Teacher salary supplement	29,392
Total	<u>\$ 37,780</u>

(13) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the District, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the District's operations and finances.

(14) SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 3, 2021, which is the date the financial statements were available to be issued.

(15) PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Required Supplementary Information

Twin Cedars Community School District

Budgetary Comparison Schedule of
Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budget to Actual Variance
Revenues:					
Local sources	\$ 2,271,573	55,163	2,326,736	2,386,477	(59,741)
State sources	2,746,672	1,842	2,748,514	2,832,477	(83,963)
Federal sources	188,615	90,257	278,872	254,000	24,872
Total revenues	5,206,860	147,262	5,354,122	5,472,954	(118,832)
Expenditures/Expenses:					
Instruction	3,434,660	-	3,434,660	3,628,117	193,457
Support services	1,535,908	-	1,535,908	1,548,000	12,092
Non-instructional programs	471	177,455	177,926	239,318	61,392
Other expenditures	295,172	-	295,172	493,759	198,587
Total expenditures/expenses	5,266,211	177,455	5,443,666	5,909,194	465,528
Excess (deficiency) of revenues over (under) expenditures/expenses	(59,351)	(30,193)	(89,544)	(436,240)	346,696
Other financing sources, net	7,450		7,450	-	7,450
Change in fund balance	(51,901)	(30,193)	(82,094)	(436,240)	354,146
Balances beginning of year	1,765,842	52,919	1,818,761	1,177,515	641,246
Balances end of year	\$ 1,713,941	22,726	1,736,667	741,275	995,392

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Twin Cedars Community School District's (District) budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not have a budget amendment.

During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted.

Twin Cedars Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.036125%	0.036183%	0.034545%	0.034325%	0.037352%	0.042478%
District's proportionate share of the net pension liability	\$ 2,092	2,290	2,301	2,160	1,845	1,685
District's covered payroll	\$ 2,749	2,719	2,579	2,463	2,559	2,780
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.10%	84.22%	89.22%	87.70%	72.10%	60.62%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 258	260	243	230	220	229	248	229	210	183
Contributions in relation to the statutorily required contribution	(258)	(260)	(243)	(230)	(220)	(229)	(248)	(229)	(210)	(183)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 2,733	2,749	2,719	2,579	2,463	\$ 2,559	2,780	2,639	2,602	2,633
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Twin Cedars Community School District

Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 25,479	24,858	28,892
Interest cost	17,718	14,920	16,214
Difference between expected and actual experiences	(132,893)	-	-
Changes in assumptions	(7,250)	65,306	(649)
Benefit payments	(18,818)	(15,684)	(15,684)
Net change in total OPEB liability	(115,764)	89,400	28,773
Total OPEB liability beginning of year	566,067	476,667	447,894
Total OPEB liability end of year	<u>\$ 450,303</u>	<u>566,067</u>	<u>476,667</u>
Covered employee payroll	1,353,826	1,389,038	1,446,644
Total OPEB liability as a percentage of covered-employee payroll	33.30%	40.75%	32.95%

See accompanying Independent Auditor's Report.

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.56%

Supplementary Information

Twin Cedars Community School District

Schedule 1

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
High School Tag	\$ 873	1,149	578	-	1,444
Saber Shop	2,745	1,382	554	-	3,573
Co-Ed Athletics	3,235	8,519	7,915	-	3,839
Cross Country	-	1,092	643	(100)	349
Boys Athletics	18,190	12,472	11,450	-	19,212
Boys Basketball	497	1,170	1,666	-	1
Football	4,735	2,709	1,427	-	6,017
Baseball	787	-	570	-	217
Girls Athletics	462	14,269	11,247	-	3,484
Softball	1,316	2,974	2,051	-	2,239
Activity Tickets	909	30	-	-	939
Boys Track	1,164	-	-	-	1,164
Girls Basketball	136	1,891	2,122	100	5
Volleyball	8,826	599	2,010	-	7,415
Pep Club	21	439	435	-	25
Yearbook	2,526	2,965	3,078	-	2,413
FFA	787	13,534	12,206	-	2,115
High School Student Council	485	620	984	-	121
Elementary Student Council	3,698	2,735	5,451	-	982
Elementary Fundraisers	1,642	181	538	-	1,285
Technology Club	876	59	527	-	408
Archery Club	36	-	-	-	36
National Honor Society	17	223	-	-	240
High School Music	36	-	-	-	36
High School Colorguard	8	-	-	-	8
Class of 2018	-	-	-	-	-
Class of 2019	8,982	-	8,212	-	770
Class of 2020	995	11,622	3,996	(648)	7,973
Class of 2021	-	3,193	1,325	-	1,868
Class of 2022	-	-	648	648	-
Cheerleaders	718	845	822	-	741
Drill Team	664	3,190	2,319	-	1,535
Total	\$ 65,366	87,862	82,774	-	70,454

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 2

Combining Balance Sheet
Capital Projects Fund Accounts

June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 456,320	37	456,357
Receivables:			
Property tax:			
Delinquent	-	622	622
Succeeding year	-	44,023	44,023
Due from other governments	29,018	-	29,018
Total assets	\$ 485,338	44,682	530,020
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Due to other funds	\$ 23,680	-	23,680
Total liabilities	23,680	-	23,680
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	44,023	44,023
Total deferred inflows of resources	-	44,023	44,023
Fund balances:			
Restricted for:			
School infrastructure	461,658	-	461,658
Physical plant and equipment	-	659	659
Total fund balances	461,658	659	462,317
Total liabilities, deferred inflows of resources and fund balances	\$ 485,338	44,682	530,020

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 3

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Projects Fund Accounts

Year ended June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	40,697	40,697
Other	-	514	514
State sources	344,709	199	344,908
Total revenues	344,709	41,410	386,119
Expenditures:			
Current:			
Instruction:			
Regular	36,554	18,562	55,116
Support services:			
Operation and maintenance of plant	23,680	-	23,680
Transportation	82,147	-	82,147
Other expenditures:			
Facilities acquisition	121,634	25,426	147,060
Total expenditures	264,015	43,988	308,003
Change in fund balances	80,694	(2,578)	78,116
Fund balances beginning of year	380,964	3,237	384,201
Fund balances end of year	\$ 461,658	659	462,317

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 4

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 1,692,579	1,655,133	1,702,380	2,111,290	2,060,132	1,650,196	1,458,814	1,865,949	1,744,417	1,630,933
Tuition	423,627	470,967	462,721	431,465	375,448	335,733	349,666	384,554	305,616	332,529
Other	155,367	168,699	176,575	178,378	281,514	156,718	200,269	228,218	203,932	228,768
Intermediate sources	-	-	-	-	-	-	-	-	-	3,000
State sources	2,746,672	2,738,276	2,711,192	2,645,183	2,593,501	2,654,250	2,597,070	2,294,597	2,449,370	2,315,954
Federal sources	188,615	158,511	225,206	139,638	156,441	152,086	104,185	195,629	164,749	255,540
Total	\$ 5,206,860	5,191,586	5,278,074	5,505,954	5,467,036	4,948,983	4,710,004	4,968,947	4,868,084	4,766,724
Expenditures:										
Instruction:										
Regular	\$ 2,019,906	2,054,013	2,068,422	1,904,236	1,743,583	1,845,131	2,108,822	1,962,474	1,737,203	1,853,755
Special	671,082	606,331	589,395	547,829	501,742	548,020	749,639	666,006	602,569	551,781
Other	743,672	737,364	699,602	639,563	668,660	681,780	654,724	712,322	670,341	745,819
Support services:										
Student	91,618	101,998	92,788	81,269	94,485	91,314	86,662	75,514	122,760	125,817
Instructional staff	190,879	206,004	170,039	162,050	135,823	119,422	135,739	140,490	67,736	134,078
Administration	496,131	501,016	508,710	504,688	471,338	441,888	401,942	440,285	441,022	443,823
Operation and maintenance of plant	398,839	360,923	390,194	386,531	363,536	370,798	380,897	378,621	351,596	375,574
Transportation	358,441	257,863	285,839	296,594	210,149	371,764	355,379	267,575	343,492	284,505
Non-instructional programs	471	488	596	613	743	1,115	1,032	891	873	752
Other expenditures:										
Facilities acquisition	147,060	301,337	586,205	317,241	298,835	19,559	160,488	350,098	90,050	105,190
Long-term debt:										
Principal	-	-	-	-	-	-	-	310,000	120,000	115,000
Interest and other charges	-	-	-	-	-	-	-	14,653	17,247	21,592
AEA flowthrough	148,112	148,156	149,295	144,538	149,397	150,408	148,436	144,701	145,498	161,734
Total	\$ 5,266,211	5,275,493	5,541,085	4,985,152	4,638,291	4,641,199	5,183,760	5,463,630	4,710,387	4,919,420

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Twin Cedars Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District (District) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-D-20 and I-E-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-C-20 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

February 3, 2021

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of Twin Cedars Community School District (District) financial statements.

Condition – Generally, one or two individuals has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Petty cash – custody, replenishment, and reconciling the disbursements to the reimbursements;
- (2) Disbursements – making certain purchases, receiving certain goods and services, presenting proposed disbursements to the Board for approval, maintaining supporting documentation, preparing, signing, and distributing checks, and posting to the accounting records;
- (3) Payroll – calculating payroll amounts, preparing, signing, and distributing checks, and posting payments to the accounting records;
- (4) Bank accounts – receiving and reconciling monthly bank statements to accounting records.

Cause – The District has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The District will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Preparation of Full Disclosure Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Twin Community School District

Schedule of Findings

Year ended June 30, 2020

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the District. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that District officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion - Response acknowledged.

I-C-20 Fixed Assets

Criteria - The District controls over fixed asset accountability are in need of improvement.

Condition - Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Cause - District policies do not require and procedures have not been established to ensure verification of fixed assets, and that a perpetual record of fixed assets is maintained.

Effect - Lack of performing a physical verification of fixed assets and maintaining a perpetual record of fixed assets could result in undetected errors or unauthorized activity.

Recommendation - To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response - We will review this situation.

Conclusion - Response acknowledged.

I-D-20 Student Activity Fund

Criteria - An effective internal control provides that all activity fund receipts are accounted for properly.

Condition - For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2020

Cause - District policies do not require and procedures have not been established to ensure there are procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Effect – Lack of a fundraiser reconciliation could result in undetected errors and unauthorized activity.

Recommendation – The District should implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response acknowledged.

I-E-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – Material adjustments were made to assets, liabilities, revenues and expenditures balances and accounts as of June 30, 2020 and for the fiscal year ended June 30, 2020.

Cause – District policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of District policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's financial statements were necessary.

Recommendation – The District should establish procedures to ensure all transactions are properly recorded and reported in the District's financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 did not exceed the amounts budgeted.

II-B-20 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense – No expenditures of Twin Cedars Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-20 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-20 Board Minutes – No transactions were found that we believe should have been approved in the District minutes but were not.

However, an instance was noted where the board minutes was not timely published. Chapter 279.35 of the Code of Iowa requires that all board minutes be published within two weeks of the board meeting, and that the schedule of bills allowed be published as required by the above Code section.

Recommendation – We recommend that the Board meeting minutes be published within two weeks of the Board meeting as required per the Code of Iowa.

Response – This was an oversight on our part. We will ensure compliance with these requirements in the future.

Conclusion – Response acknowledged.

II-H-20 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-I-20 Supplementary Weighting – Supplementary weighting certified to the Iowa Department of Education was overstated by 1.028 students.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response acknowledged.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2020

- II-J-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except that for part of the year for one investment, the depository resolution did not document the maximum amount that may be kept on deposit at any one time, as required by Chapter 12C.2 of the Code of Iowa. Chapter 12C.2 requires that, by resolution, the District specify the maximum amount which may be kept on deposit in each depository.

Recommendation – The District should implement procedures to ensure compliance with Chapter 12C.2 of the Code of Iowa in relation to depository resolutions.

Response – This was implemented in December 2019.

Conclusion – Response acknowledged.

- II-K-20 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-L-20 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

- II-M-20 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenues. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2020 audit:

Beginning balance		\$ 380,964
Revenues:		
Statewide sales, services and use tax		<u>344,709</u>
		725,673
Expenditures:		
Equipment	150,910	
School infrastructure construction	<u>113,105</u>	<u>264,015</u>
Ending balance		<u>\$ 461,658</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of moneys received under Chapter 423E and 423F of the Code of Iowa

- II-N-20 Fuel – The District has an unleaded gas barrel and two diesel fuel barrels to be used for its vehicle and equipment fleet. The District attempts to maintain a perpetual record of unleaded gas and diesel fuel. However, no comparison is made between the fuel balances as recorded on the perpetual records with the actual number of gallons in the fuel tanks at any one time.

Recommendation – The District should periodically compare the balances as recorded on the perpetual fuel records with the actual gallons of fuel on hand, and any significant differences should be investigated.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2020

Response – We will take the above under advisement.

Conclusion – Response acknowledged.

II-O-20 Financial Condition – As noted on the Statement of Net Position, the Governmental Activities and Business Type Activities had a deficit unrestricted net position of \$1,768,256 and \$17,399, respectively, at June 30, 2020.

Recommendation – The District should continue to investigate alternatives to eliminate the deficits in the Governmental Activities and Business Type Activities in order to return these funds to a sound financial condition.

Response – The District will try to decrease expenditures and increase revenues so that the Governmental Activities and Business Type Activities will not show deficit balances at year-end.

Conclusion – Response acknowledged.